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No. 04-1329

IN THE

Supreme Court of the United States

ILLINOIS TOOL WORKS INC. AND TRIDENT, INC.

Petitioners,

v.

INDEPENDENT INK, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

MOTION TO FILE BRIEF *AMICUS CURIAE* AND BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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MOTION TO FILE BRIEF *AMICUS CURIAE* OF THE AMERICAN BAR ASSOCIATION IN SUPPORT OF PETITIONERS

The American Bar Association ("ABA") respectfully moves for leave to file the attached *amicus curiae* brief, pursuant to Supreme Court rule 37.2(b), in favor of granting the petition for a writ of *certiorari*.

The ABA, with over 405,000 members, is the leading national membership organization of the legal profession. Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments, and public interest organizations, as well as legislators, law professors, law students, and non-lawyer associates in related fields. ABA members represent the full spectrum of public and private litigants, including plaintiffs and defendants. Among the ABA entities is the Section of Antitrust Law, with over 9,000 members, and the Section of Intellectual Property Law, with over 19,000 members.

This case squarely presents the question whether a court must presume that a patent confers market power for purposes of a tying claim under Section 1 of the Sherman Act. In 1990, the House of Delegates of the ABA adopted a resolution providing that intellectual property rights shall not be presumed to define a market or to establish market power in actions under the antitrust laws.* Because the ABA

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* Specifically, the ABA House of Delegates adopted a policy position that favored "in principle legislation such as H.R. 469, 101st Cong., 1st Sess. (1989) (Fish) and S. 270 101st Cong., 2d Sess. (1989) (Leahy) which provide[d] that intellectual property rights should not be presumed to define a market or to establish market power in actions under the antitrust laws." ABA Section of Patent, Trademark & Copyright Law, *Report and Recommendation to the House of Delegates*, Report No. 122C (Feb. 1990). In 2001, the ABA reiterated its support for bills that would prevent any presumption of market power in intellectual property

represents a uniquely broad spectrum of the American legal community, its perspective on the central issue in this case should be helpful to this Court.

In accordance with Supreme Court Rule 37.2, the ABA represents that it obtained written consent from counsel for the petitioners to file an amicus brief. Counsel for the respondent declined to consent, however, thereby necessitating this motion. Sup. Ct. R. 37.2(b).

For these reasons and those set out in the accompanying brief, the ABA hereby moves the Court to allow it to appear as *Amicus Curiae*, and to submit its brief urging the Court to grant the Petition and reverse the decision of the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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(continued...)

cases. *See* Statement of Charles P. Baker, "Market Power and Intellectual Property Litigation," *Hearing Before the Subcomm. on the Courts, the Internet, and Intellectual Property, House Comm. on the Judiciary*, Nov. 8, 2001.

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STATEMENT OF INTEREST[1]

The Statement of Interest of the ABA is included in the Motion to File. The ABA has no interest in any party to this litigation or stake in the outcome of this case.

STATEMENT OF THE CASE

The ABA adopts the Statement of the Case presented by the petitioner. Pet. at 1-8. The petitioner sells a patented printhead for the application of barcodes to packages and cartons as they move on an assembly line. The license to use the printhead technology requires the licensee to buy ink exclusively from petitioner. The Court of Appeals for the Federal Circuit concluded: "We thus have an explicit tying agreement conditioning the sale of a patented product (the printhead . . .) on the sale of an unpatented one (the ink)." *Independent Ink, Inc. v. Illinois Tool Works, Inc.*, 396 F.3d 1342, 1345 (Fed. Cir. 2005). The Court of Appeals reversed a finding of summary judgment for the petitioner, holding that it was bound by prior Supreme Court precedent to presume that the existence of the patent alone conferred market power in the tying product. *Id.* at 1351, citing *United States v. Loew's Inc.*, 371 U.S. 38 (1962).

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[1] In accordance with Supreme Court Rule 37.6, the ABA states that this brief has not been authored in whole or in part by counsel for a party and that no person or entity, other than Amicus, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief.

Neither this brief nor the decision to file it should be interpreted to reflect the view of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption of or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

REASONS FOR GRANTING THE PETITION

I. GRANTING THE PETITION WILL PROVIDE NEEDED GUIDANCE ON AN IMPORTANT ISSUE BY HARMONIZING CONFLICT IN THE LOWER COURTS

This case presents a legal dispute that is classically appropriate for resolution by this Court.

First, the issue presented -- whether the existence of a patent alone implies market power -- is of great concern to the bench and bar. This concern is reflected by the extensive discussions in the lower courts, as well as in the academic literature, legislative proceedings, and bar association resolutions. Pet. at 17-20 and 21-24.

Second, thanks to the thorough analysis of the courts below, the issue is clearly framed, purely legal, and controlling. Summary judgment for petitioners on the Section 1 tying claim was reversed *solely* because of the presumption of market power. 397 F.3d at 1352-53.

Third, there is a deep and obvious split in the Courts of Appeals, the position of the Ninth and Eleventh Circuits being directly contrary to that of the Sixth and Seventh Circuits.[2] As the petition demonstrates, the district courts are not simply divided, but in disarray -- the variety of means by which they have distinguished the language of this Court's

[2] *Compare MCA Television Ltd. v. Public Interest Corp.*, 171 F.3d 1265, 1278-1279 (11th Cir. 1999), *and Digidyne Corp. v. Data Gen. Corp.*, 734 F.2d 1336, 1345 (9th Cir. 1984), *cert. denied*, 473 U.S. 908 (1985), *with A.I. Root Co. v. Computer/Dynamics, Inc.*, 806 F.2d 673, 676 (6th Cir. 1986), *and Will v. Comprehensive Accounting Corp.*, 776 F.2d 665, 673 n.4 (7th Cir. 1985) (Easterbrook, J.), *cert. denied*, 475 U.S. 1129 (1986).

early cases on which the Federal Circuit relied "are a tribute to judicial ingenuity."[3]

Fourth, this Court has not directly addressed the requirements for market power in a case involving a patented or copyrighted product for over forty years, since its 1962 decision in *Loew's*.[4] In the meantime, several Justices have questioned the presumption of market power, including current members of the Court.[5]

These factors demonstrate that the Court's resolution of the question presented -- no matter how it rules -- will provide useful guidance to the courts who must grapple with this issue in the face of conflicting rationales. It will also assist all members of the bar, including more than 25,000 members of the ABA's Sections of Antitrust and Intellectual Property Law, who must advise their clients at the often treacherous intersection of antitrust and patent law.

II. THE COURT SHOULD REJECT THE MARKET POWER PRESUMPTION WHETHER THE COURT OF APPEALS WAS RIGHT OR WRONG IN ITS APPLICATION OF *LOEW'S*

A. The Existence Of Intellectual Property Rights Does Not Imply Market Power In Antitrust Cases

The ABA submits that the Court should grant *certiorari* and endorse a simple proposition: There is no basis in economic reality or legal policy for any presumption that the existence of a patent implies market power. In fact, the evidence that exists suggests that the opposite is true. The

[3] *See* Pet. at 22 (quoting *Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 48 n.14 (1977)).

[4] *United States v. Loew's Inc.*, 371 U.S. 38 (1962).

[5] *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 37-38 n.7 (O'Connor, J., joined by Burger, C.J., and Powell and Rehnquist, J., concurring in the judgment); *Data Gen. Corp. v. Digidyne Corp.*, 473 U.S. 908, 909 (1985) (White, J., joined by Blackmun, J., dissenting from denial of *certiorari*).

consensus was well summarized by the Chair of the ABA Section of Intellectual Property Law when he testified before Congress in 2001:

> Because such presumptions are arbitrary, ignoring real world facts, they have no proper basis from the point of view of either intellectual property or antitrust law, and they lower incentives created by intellectual property law to invest in new jobs and new industrial facilities based on technical advances.[6]

Both courts and commentators agree that most patents confer either no market power or "too little . . . to be a proper object of antitrust concern."[7] Professor Areeda's treatise confirms that "[p]atents, copyrights, trademarks, and other forms of intellectual property do not themselves confer *any* market power."[8] Accordingly, both federal enforcement agencies have eschewed any presumption of market power in their enforcement guidelines. Pet. at 17-18. And, if there were any doubt because of its holding in this case, the Federal Circuit's position is identical: "A patent alone does not demonstrate market power."[9]

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[6] *See* Statement of Charles P. Baker, Chair, Section of Intellectual Property Law, on behalf of the American Bar Association, "Market Power and Intellectual Property Litigation," Hearing before the Subcomm. on Courts, the Internet, and Intellectual Property, House Comm. on the Judiciary (Nov. 8, 2001) at 1-2 and nn.1 & 2 (citing prior testimony by the ABA on this issue) (footnote omitted) *available at* http://www.abanet.org/intelprop/marketpower.pdf.

[7] R. Posner, *Antitrust Law* 197-98 (2d ed. 2001). *See* Pet. at 19-20 (collecting authorities). *See also USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 511 (7th Cir. 1982), citing *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1203 (2d Cir. 1981).

[8] IIA P. Areeda, H. Hovenkamp, & J. Solow, *Antitrust Law* ¶ 518a, at 136 (2d ed. 2002) (emphasis added).

[9] *In re Independent Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000), *cert. denied*, 531 U.S. 1143 (2001).

In this case, the Federal Circuit did not abandon this view, nor dispute the proposition. Nor did it suggest that the presumption promotes other legal policy objectives. It held, rather, that its hands were tied; that the Supreme Court's "early" cases had made this error; and that only this Court may correct it:

> Even where a Supreme Court precedent contains many "infirmities" and rests upon "wobbly, moth-eaten foundations," it remains the "Court's prerogative alone to overrule one of its precedents." *State Oil Co. v. Khan*, 522 U.S. 3, 20, 118 S. Ct. 275, 139 L.Ed.2d 199 (1997).

Independent Ink, 396 F.3d at 1351.

The ABA believes that the Federal Circuit's conclusion that it was bound by *Loew's* is based upon a questionable reading of this Court's "early" cases. Indeed, the Court's early decisions recognized that the existence of intellectual property rights does not dictate actual market power. Four years before the Supreme Court's decision in *Loew's*,[10] by which the Federal Circuit felt bound here, Justice Black wrote for the Court in the *Northern Pacific* case that the proposition long espoused by the ABA was already "common knowledge":

> Of course it is common knowledge that a patent does not always confer a monopoly over a particular commodity. Often the patent is limited to a unique form or improvement of the product and the economic power resulting from the patent privileges is slight.[11]

The Court in *Loew's* did not dispute or reject this proposition; in fact, the *Loew's* opinion described its analysis as but "a particularized application of the general doctrine as

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[10] *United States v. Loew's Inc.*, 371 U.S. 38 (1962).

[11] *Northern Pac. Ry. Co. v. United States*, 356 U.S. 1, 10 n.8 (1958).

reaffirmed in *Northern Pacific*."[12] Accordingly, the ABA submits that, properly read, *Loew's* did not misperceive the economic connection between patents and true market power at all. Rather, as set forth below, the "presumption" this Court embraced in *Loew's* was not one of market power, but a "presumption of uniqueness" which was itself abandoned in the Court's subsequent decisions.

The ABA respectfully submits that continued application of the presumption serves no useful social purpose. It serves only to reduce legitimate incentives for innovation, to the direct detriment of consumers, and directly contrary to the purposes of the antitrust laws.[13]

B. The Petition Should Be Granted Whether Or Not *Loew's* Dictates The Holding Below

Although the ABA believes that the Court has already recognized that a patent right does not necessarily establish any market power, the Court need not resolve whether the Federal Circuit was right or wrong in its analysis of *Loew's*. Regardless of whether the Federal Circuit correctly interpreted this Court's precedent, the Court should grant *certiorari*.

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[12] *Loew's*, 371 U.S. at 50.

[13] *See, e.g.*, I P. Areeda & H. Hovenkamp, *Antitrust Law* ¶ 100 at 4 (2d ed. 2000) ("[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively, while yet permitting them to take advantage of every available economy that comes from internal or jointly created production efficiencies, or from innovation producing new processes or new or improved products."). Neither the Federal Circuit below nor any other court of which the ABA is aware has suggested that the market power presumption -- by treating patented goods differently than all other tying products -- provides any benefit to consumers under the antitrust laws. Nor has any court suggested that overruling *Loew's* on this point (if that is what is required) would have any adverse effect on the legal administration of the antitrust laws.

If the Federal Circuit was wrong, it has done more than merely widen an existing split. The error by the Federal Circuit is particularly troubling because of the Federal Circuit's view of the nature of its jurisdiction. For the Federal Court to hold that a blanket presumption applies to patented and copyrighted tying products thus has a greater impact on the bench and bar than would a similar holding by any other Court of Appeals, and the need for Supreme Court review is accordingly enhanced.

In the first place, most claims of patent "tying" will be heard in the Federal Circuit because they typically accompany or respond to claims challenging the underlying intellectual property right. Such cases necessarily will be governed by the decision below. In addition, the Federal Circuit has previously stated that "Federal Circuit law governs all antitrust claims premised on the abuse of a patent right." *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341, 1355 (Fed. Cir. 2004), *cert. granted on other grounds*, 125 S. Ct. 1396 (Feb. 28, 2005) (No. 04-597).

In its opinion below, the Federal Circuit reaffirmed its view that *every* allegation of tying involving a patent will be governed by the presumption it has applied in this case: "We conclude that the antitrust consequences of patent tying likewise is a question governed by our law." *Independent Ink*, 396 F.3d at 1346 (footnote omitted). Thus, the Federal Circuit has taken the position that claims heard in *other* Circuits should also be decided by applying Federal Circuit law -- which would include the flat "presumption" announced in this case.[14] Even if the Federal Circuit was

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[14] *See, e.g., Unitherm*, 375 F.3d at 1355 n.3 (warning that another appellate court deciding such antitrust claims would "risk disturbing Congress's goal of ensuring patent-law uniformity by applying its own law.") (internal quotation marks omitted); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360 (Fed. Cir. 1999) ("[T]he question whether particular conduct by a patentee exposes the patentee to suit under the antitrust laws would be decided under this court's precedents . . . even though the issue required the court to decide the

wrong in its application of *Loew's*, therefore, the wrong rule may be applied in the vast majority of tying cases involving intellectual property rights unless and until this Court corrects it.

If, on the other hand, the Federal Circuit was right that it was "obliged to follow the Supreme Court's direction in this respect," 396 F.3d at 1351, the case for *certiorari* is even more compelling. In that event, as the Federal Circuit noted, there is extensive dissension and dissatisfaction in the lower courts with the market power presumption that only this Court can address. The lower courts clearly seek guidance as to the viability of such a rule.

III. THE PETITION PROVIDES A UNIQUE OPPORTUNITY TO CLARIFY THE LAW REGARDING THE EFFECT OF PATENTS ON THE ANALYSIS OF ANTITRUST TYING CASES

By granting the petition, the Court would have the opportunity to reconsider or clarify its decision in *Loew's*, which the Court of Appeals deemed controlling. Again, while the ABA need not take a position on whether the Federal Circuit erred in finding that the market power presumption is prescribed by *Loew's*, lower courts and practitioners require guidance ultimately on that question. The ABA believes that a clarification of *Loew's* would produce enormous value, in reconciling that decision with the Court's other decisions in this field.

A. *Loew's* and The "Presumption of Uniqueness"

To support a claim of illegal tying, this Court's decisions now require a showing of genuine and substantial power in

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scope of antitrust liability, a matter not within our exclusive jurisdiction."), *overruled in part on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) We express no view as to whether other courts will, or should, follow this advice.

the market for the tying product.[15] At the same time, several of the Court's cases contain language suggesting that a patent on the tying product allows the requisite showing of power to be presumed.[16] The Federal Circuit resolved this apparent anomaly by concluding that the Court's tying jurisprudence reflects not one but two lines of cases. One set of rules governs "patent tying," where the tying product enjoys intellectual property protection; the other set governs all other tying products "not involving intellectual property." 396 F.3d at 1348. In the view of the Federal Circuit, this Court's current requirement of genuine market power, although clearly modifying other non-patent cases such as *Northern Pacific*, *see id.* at 1347, has left the "patent tying" cases unaffected: "The Court's treatment of tying cases when the tying product is patented or copyrighted, however, has been more consistent." *Id.* at 1348.

This case presents a critical opportunity for the Court to address whether it intended such a two-pronged analysis, particularly in light of its other jurisprudence suggesting otherwise. In fact, the opinion of Justice Black in *Northern Pacific* expressly disagreed that any special analysis was warranted in patent cases. In that case, the Court cited its prior decision in *International Salt*,[17] involving a patented tying product, as "ample authority for affirming the judgment below." 356 U.S. at 8. The distinction between patented and unpatented products was of no moment to this Court:

[15] *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984); *United States Steel Corp. v. Fortner Enters., Inc.*, 429 U.S. 610 (1977).

[16] *See, e.g.*, Pet. at 10. *See Independent Ink*, 396 F.3d at 1348.

[17] *International Salt Co. v. United States*, 332 U.S. 392 (1947). The Court in *International Salt* did not address any requirement of power in the tying product, nor suggest that the patent raised a presumption of such power.

> The defendant attempts to evade the force of *International Salt* on the ground that the tying product there was patented while here it is not. But we do not believe this distinction has, or should have, any significance. In arriving at its decision in *International Salt* the Court placed no reliance on the fact that a patent was involved nor did it give the slightest intimation that the outcome would have been any different if that had not been the case.

Id. at 9. [18]

The *Northern Pacific* Court also made clear that its concept of "power" in the tying product was far broader than any modern notion of power over price. Rather, it was the power to force an unwanted sale "regardless of the source from which the power is derived and whether the power takes the form of a monopoly or not." *Id.*

Shortly after *Northern Pacific* came the opinion that the Federal Circuit said could not be distinguished here, *United States v. Loew's Inc.*, 371 U.S. 38 (1962). The tying product there was "copyrighted feature motion pictures for television exhibition" of high quality, *id.* at 39, which were sold on condition that films of lesser quality were taken as well. *Id.* at 41-42. Far from viewing the intellectual property rights before it as invoking a different line of cases, Justice Goldberg wrote that "[a]pplicability of *Paramount Pictures* [involving copyrights] brings with it a meeting of the test of *Northern Pacific*, since *Paramount Pictures* is but a particularized application of the general doctrine as reaffirmed in *Northern Pacific*." *Id.* at 50.

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[18] When the defendant argued that *Times-Picayune Publ'g Co. v..United States*, 345 U.S. 594 (1953), had required genuine economic power in the tying product market, Justice Black responded that "*Times-Picayune*, of course, must be viewed in context with *International Salt* and our other decisions concerning tying agreements. There is no warrant for treating it as a departure from those cases." 356 U.S. at 11.

The Court in *Loew's* reiterated the view of *Northern Pacific* that the requisite power to force the tied sale did not require "market dominance" or even "a demonstration of market power in the sense of § 2 of the Sherman Act." *Id.* at 45 n.4.

> Even absent a showing of market dominance, the crucial economic power may be inferred from the tying product's desirability to consumers or from uniqueness in its attributes.

Id. at 45 (footnote omitted). Based upon this definition of power, the Court stated in the next sentence that "[t]he requisite economic power is presumed when the tying product is patented or copyrighted." *Id.* That conclusion, in turn, was based on "the theory that the existence of a valid patent on the tying product, without more, establishes a *distinctiveness* sufficient to conclude that any tying arrangement involving the patented product would have anti-competitive consequences." *Id.* at 46 (emphasis added).

Finally, even as it argued that the presumption it described should be sufficient, the *Loew's* Court did not limit its rationale to the existence of the intellectual property right. The Court listed several competitive harms apparent from the record, noting that "[t]hese anti-competitive consequences" confirmed the wisdom of the Court's "recognition that the mere presence of competing substitutes for the tying product . . . is insufficient to destroy the legal, and indeed the economic, distinctiveness of the copyrighted product." *Id.* at 49. In addition, the Court reviewed the District Court's factual findings that "each copyrighted film" was "in itself a unique product," giving each defendant "a 'monopolistic' position as to each tying product." *Id.* at 48. These findings were sufficient to support the lower court's conclusion because they "confirm[ed] the *presumption of uniqueness* resulting from the existence of the copyright itself." *Id.* (emphasis added).

Three conclusions flow from the state of this Court's tying doctrine when *Loew's* was decided in 1962. *First*, those earlier decisions do not support the conclusion that this Court's analysis of tying follows two divergent and independent paths, one of which is properly described as "patent tying." *Second*, the Court's test for power in the tying product was in reality a test of "distinctiveness" or "uniqueness," not actual market power in the antitrust sense of power over price. A showing of actual market power was a sufficient, but by no means necessary, means of showing such uniqueness. And a patent met this test almost by definition because "one of the objectives of the patent laws is to reward uniqueness." *Id.* at 46. *Third*, the Court's holding in *Loew's* was justified on multiple grounds, of which the "presumption of uniqueness" was only one. *Id.* at 48-49.

B. *Fortner II* and The Requirement of Actual Market Power

The Court's subsequent decisions in *Fortner II*[19] and *Jefferson Parish*[20] fundamentally altered the law of tying. In *Fortner II*, the Court reversed a finding of requisite power in the tying product market that was based on a finding of uniqueness. That finding, in turn, was based on several indicia of uniqueness suggested by Justice Black in his prior opinion for the Court in *Fortner I*.[21] 429 U.S. at 614-16. The Court nonetheless rejected these findings as insufficient to establish the power requirement for tying. *Id.* at 618.

The *Fortner II* Court explained that "uniqueness" was relevant to the question of tying product power only to the extent that it reflected "whether the seller has the power, within the market for the tying product, to raise prices or to

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[19] *United States Steel Corp. v. Fortner Enters., Inc.*, 429 U.S. 610 (1977).

[20] *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984).

[21] *Fortner Enters., Inc. v. United States Steel Corp.*, 394 U.S. 495 (1969).

require purchasers to accept burdensome terms that could not be exacted in a completely competitive market." *Id.* at 620 (footnote omitted). The Court acknowledged that a commentator on *Fortner I* had "correctly analyzed the burden of proof" when he stated that "[it is] clear that market power in the sense of power over price must still exist." *Id.* at 620 n.13.

In this way, the definition of "power" for purposes of tying analysis was changed fundamentally from the approach of *Northern Pacific* and *Loew's*. Whereas in *Loew's* true market power was simply one means of showing the requisite "uniqueness," after *Fortner II* "uniqueness" is only a means of showing real power over price. The plaintiff in *Fortner II* lost because its evidence of "uniqueness" did not relate to actual market power. *Id.* at 621-22. The doctrine was cemented by the decision in *Jefferson Parish*, where the Court rejected a tying claim because a 30 percent market share was too small to show market power, despite evidence that the surgical services involved were "unique" in other senses. *Jefferson Parish*, 466 U.S. at 27 ("While these factors may generate 'market power' in some abstract sen. they do not generate the kind of market power that justifies condemnation of tying." (footnote omitted)). Those holdings cannot be squared with the Court's view in *Loew's* that "the mere presence of competing substitutes for the tying product" is insufficient to defeat a tying claim. *Loew's*, 371 U.S. at 49.

In sum, while the Federal Circuit believed the decision in *Loew's* warranted a reversal of the district court's decision, there is ample room for this Court to conclude otherwise. The statement of the Court in *Loew's* that "[t]he requisite economic power is presumed when the tying product is patented or copyrighted," 371 U.S. at 45, was made when the reference to "economic power" meant merely "desirability to consumers, or . . . uniqueness . . . ." *Id.* That is no longer the case under *Fortner II* and *Jefferson Parish*. To read *Loew's* as creating a presumption of *market power*,

therefore, extends both its holding *and* its language, which expressly defended a "presumption of uniqueness," not power over price. Such a reading is also unnecessary to resolve this case because, as noted above, the Court in *Loew's* offered at least two alternative grounds for its result, based on record evidence of anticompetitive effects and the District Court's findings. 371 U.S. at 48-49.

The ABA thus submits that, in contrast to the stark choice perceived by the Federal Circuit, an open question remains whether the presumption of market power imposed by the Federal Circuit here was ever mandated by *Loew's*.

IV. IF IT IS NECESSARY TO OVERRULE THE DECISION IN *LOEW'S*, THE COURT SHOULD DO SO

If the Court construes its decision in *Loew's* as necessarily resting on a presumption of actual market power where the tying product is patented, the ABA believes that review should be granted so that *Loew's* may be overruled. Elimination of the market power presumption is proper for several reasons:

First, the presumption has no basis in economic reality and no defense as a matter of legal policy. There is essential unanimity among courts, enforcement agencies, and commentators that application of such a presumption has the potential to reduce wholly legitimate and socially beneficial incentives to innovate. *See* Pet. at 17-20 and 24-28.

Second, the decision in *Loew's* did not consider the effects of such a presumption on the owners of intellectual property or on the formation of legitimate and beneficial tying arrangements. To the contrary, the *Loew's* Court began its discussion with the (then) familiar observation that "[t]ying agreements serve hardly any purpose beyond the suppression of competition." 371 U.S. at 44. Such agreements harm competition because they "destroy the free access of competing suppliers of the tied product to the consuming market." *Id.* at 45. Neither sentiment has survived this

Court's subsequent decisions. As Judge Easterbrook has noted, "[t]he Supreme Court emphasized in *Hyde* . . . and again in [*NCAA*] that tying may have competitive benefits."[22]

Third, as also discussed, *Loew's* did not purport to create a presumption of genuine market power -- specifically denying that actual market power was required. 371 U.S. at 45 & n.4 ("Since the requisite economic power may be found on the basis of either uniqueness or consumer appeal, . . . [a tying claim] does not necessitate a demonstration of market power . . . .") And the "presumption of uniqueness" that *Loew's did* articulate, *id.* at 48, was rendered irrelevant by the subsequent decisions of this Court.

Fourth, those courts that have derived from *Loew's* a presumption of actual market power have encountered great difficulty in applying the test to real cases. The Federal Circuit's opinion here provides two examples. First, because it had converted the *Loew's* presumption to one of *market* power, the Court felt it needed to find a "presumed" geographic market as well: "Thus a patent presumptively defines the relevant market as the nationwide market for the patented product itself . . . ." 396 F.3d at 1352. Where this "nationwide" market comes from is unclear. There is certainly no such statement in *Loew's*. Nor is there reason to believe that all products with U.S. patents compete in the same geographic market.

The second example arises when one considers how, if at all, the presumption may be rebutted. On this point, the Court of Appeals felt bound by the language in *Loew's* that the "mere presence of competing substitutes for the tying product" is insufficient to destroy the presumption. *Id.* So the Court stated that the "presumption can *only* be rebutted by expert testimony or other credible economic evidence of

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[22] *Will v. Comprehensive Accounting Corp.*, 776 F.2d 665, 673 (7th Cir. 1985) (plaintiffs failed to show market power where their "principal argument was uniqueness"), *cert. denied*, 475 U.S. 1129 (1986).

the cross-elasticity of demand, the area of effective competition, or other evidence of lack of market power." *Id.* (emphasis added). To the extent that this test requires more than showing that there are ample substitutes for the tying product, it is inconsistent with the holding of this Court in *Jefferson Parish* that a 30 percent market share was insufficient to show market power. Indeed, this test is unique to antitrust law, where both the actual "presence of competing substitutes" (measured by market share) and the *potential* "presence of competing substitutes" (measured by barriers to entry) are central to any finding of market power.

In sum, the market power presumption that some courts have extracted from *Loew's* is contrary to economic reality, derived from outdated doctrines since rejected by this Court, inconsistent with the reasoning of *Loew's* itself, and inadequate for sensible application to real cases. If any prior decision of this Court mandates such a presumption, it should be overruled.

CONCLUSION

For the reasons stated herein, the ABA respectfully requests that the Court grant the petition for *certiorari* and rule that intellectual property rights do not, by themselves, confer market power.

Respectfully submitted,

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